



Arizona Health Care Cost Containment System

Quarterly Report

Quarterly Report

October 1 - December 31, 1999

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Executive Summary

This Quarterly Report covers the period from October 1, 1999 through December 31, 1999. During that period, the agency finalized preparations for Y2K and implemented a series of new developments, including hosting the 17th annual HCBS conference, initiation of the Year 2000 Member Survey, and the Psychotropic Medication initiative.

Ongoing projects continued to progress, including the Hawaii/Arizona PMMIS Alliance Project which will eventually produces good work efficiency returns for both states. Standard activities, such as operational and financial Reviews, contract renewals, and fraud and abuse monitoring activities continued to move along smoothly

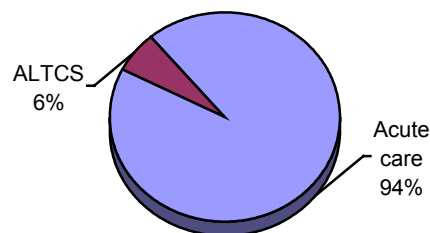
AHCCCS Population

On January 1, 2000, the AHCCCS Title XIX population totaled 439,472 eligible individuals. This included 411,297 individuals eligible for the acute care program and 28,175 ALTCS members.

During the quarter, the AHCCCS population increased by approximately 1.8% from 431,808 individuals on October 1, 1999. A significant part of the increase is the result of the “woodwork effect” as individuals who applied for KidsCare were determined Title XIX eligible. During the quarter, a total of 6,775 individuals became Title XIX eligible after:

- Applying for, but being denied KidsCare eligibility;
- Converting from KidsCare to Title XIX after enrollment in a health plan or receiving direct services; or
- Converting from KidsCare before enrollment under KidsCare.

AHCCCS Population By Type



New Developments

Dental Providers Pleased with System Changes

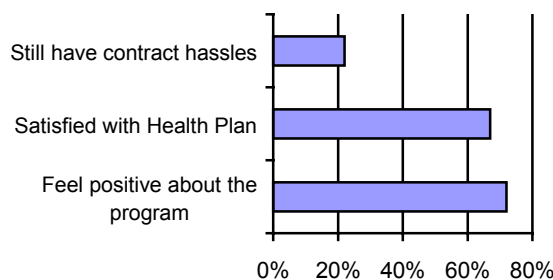
In a recent survey of 291 dentists who serve AHCCCS members, 70% percent of the providers responded that they had seen major improvements in the previous 12-24 months in the way services were delivered.

During that period, most Health Plans switched from capitated agreements to fee-for-service payments. Provides felt this resulted in “more reasonable” compensation.

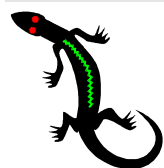
The improvements included changes to contracting, reimbursements and service authorizations, and a reduction in “no-shows” to dental appointments. The improvements were proposed by a Dental Task Force of comprised of advocates, dental providers, health plans and AHCCCS representatives.

Despite the improvements, the dental providers indicated much needs to be done. The respondents feel that AHCCCS patients are less likely to keep appointments, have less understanding of good dental hygiene, and more tooth decay than the private-pay population. The dentists recommended continued education efforts, twice yearly checkups for children, continued efforts to reduce no-shows, and full coverage for adults.

Dental Provider Survey Responses



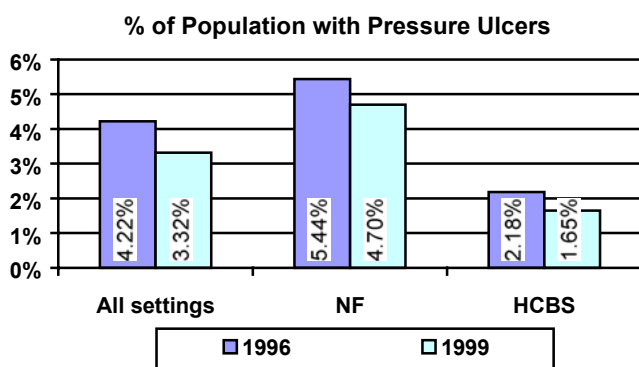
HCBS Conference a Hit



The 17th annual Home and Community Based Services (HCBS) conference, hosted from October 31 – November 2 by AHCCCS, scored a perfect hit as 100% of attendee evaluations classified the conference “a valuable experience.” The conference was specifically targeted towards addressing the design of consumer-driven services to meet the demographic revolution. Over 450 individuals participated in the conference, which offered sessions in five areas: policy, program, innovations, quality, and delivery of services.

Pressure Ulcers Going Down

The prevalence of pressure ulcers among ALTCS elderly and physically disabled members dropped 21% over the past three years. The decrease among nursing facility residents (14%) was



less dramatic than the decrease among members residing in a home and community-based setting. Results from a 1999 analysis were compared with data from the 1996 ALTCS Pressure Ulcer Medical Audit in determining the prevalence of ulcers as a percent of population.

The results are significant considering that an estimated \$6.4B was spent in 1997 for the treatment of pressure ulcers nationally. During that period, it was estimated that approximately 33% of individuals residing in long term care facilities had at least one pressure ulcer. It is also estimated that 60,000 individuals die annually from complications resulting from pressure ulcers.

AHCCCS believes the use of the Sacral/Coccygeal Pressure Ulcer Indicator has increased awareness, education, monitoring and prevention of pressure ulcers by the Program Contractors.

The Indicator has been in use since CY 1996 and the agency plans to evaluate the pressure ulcer prevalence rate again in 2002.

Year 2000 Member Survey Gets Underway

Macro International was selected as the vendor to conduct the Year 2000 Acute Member Survey. This survey is a follow-up to the 1996 AHCCCS Member Survey. AHCCCS will utilize the Consumer Assessment of Health Plans Survey (CAHPS) for Medicaid 2.0 instrument. By utilizing CAHPS, AHCCCS will be able to make comparisons to other health plans and systems. The survey will also enable AHCCCS to trend data from 1996. The survey will be planned and conducted over the course of the year with a final report due at the end of the year.

New Assistant Director

On October 25th, Chuck Phillips began as Assistant Director for the Office of Managed Care. Mr. Phillips replaced Branch McNeal who became the agency's Deputy Director earlier in 1999.

Mr. Phillips brings extensive experience with managed care plans and was previously financial controller for CIGNA, chief financial officer at Samaritan Health Systems, and recently, chief operating officer for Vision Services Plan.

Psychotropic Medication Initiative Gets into High Gear

On October 1, 1999, AHCCCS health plans began to make psychotropic medications available to members with diagnoses of depression, anxiety, and Attention Deficit-Hyperactivity Disorders. Under the new program, PCPs may prescribe psychiatric medications for members with select diagnoses and are encouraged to refer members who have not responded favorably to treatment to the Regional Behavioral Health Authorities (RBHAs) for consultation or ongoing medication management.

Although the initial focus of the workgroup was to explore the feasibility of allowing primary care providers to prescribe psychotropic medications to members within the scope of their practice, the workgroup will continue to meet to discuss ongoing training needs and to evaluate the effectiveness of this new initiative.

"The initiative follows almost a year of joint planning by a workgroup comprised of representatives from AHCCCS Health Plans, the Arizona Medical Association, Division of Behavioral Health Services, RBHAs, the Division of Developmental Disabilities and AHCCCS."

Updates

Hawaii/Arizona PMMIS Alliance P

Phase II of the Hawaii/Arizona PMMIS Alliance HAPA project will implement the AHCCCS PM

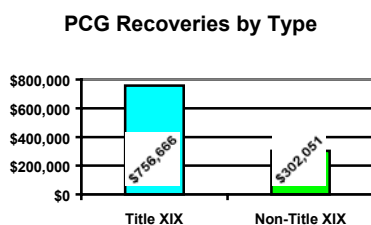
The Day the Earth didn't Stand Still

Y2K

benefit from system enhancements and by sharing in the ongoing maintenance and operation of the system.

During Phase I of the project, the states received HCFA approval and authorization for special federal funding. Interstate agreements were negotiated and a detailed needs analysis was conducted. Phase II involves the system design, development, and implementation.

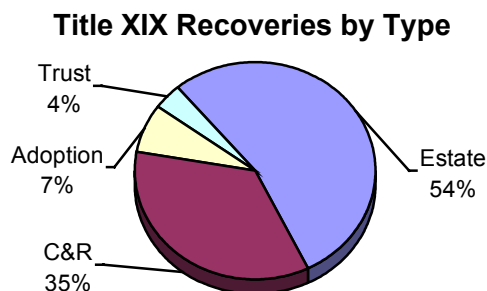
Third Party Liability (TPL) Recoveries



Recoveries by the Public Consulting Group (PCG), the AHCCCS TPL contractor, totaled \$1,058,717 during the quarter. Of this total, 71% was for Title XIX members and 29% was for non-Title XIX members. These figures do not include recoveries made by AHCCCS Health Plans and ALTCS Program Contractors.

The recoveries for Title XIX members are divided into four categories: estate, casualty and restitution (C&R), adoption, and trust. Estate recoveries comprised over half of all recoveries.

PCG conducts data matches with many insurance carriers and with the Industrial Commission of Arizona to identify worker's compensation coverage. In addition to the four types of recoveries, PCG also is responsible for performing Medicare Disallowance recoveries. During this quarter, there were no Medicare Disallowance recoveries.



Long Term Care Task Force Makes Progress

Arizona State Representative Susan Gerard's long term care task force, comprised of representatives from AHCCCS, consumers and providers, has completed its initial series of meetings. The task force examined issues of Quality, Regulation and Enforcement, Reimbursement, and Workforce. Four subcommittees have been formed and will report to the full task force.

Transition Goes Smoothly

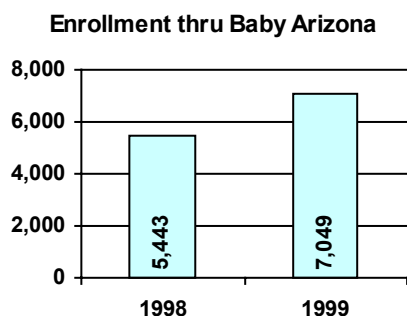
The members effected by the recent withdrawal of APIPA from ALTCS were successfully transitioned to Ventana Health Systems (Coconino and Yuma County) and Cochise Health Systems (Graham County). The last members were transitioned on December 13, 1999.

The AHCCCS Administration has the lead on a Nursing Facility Workgroup to address issues related to share of cost, level of care determinations, fee-for-service rates and future partnering. Additional workgroups will evolve from the LTC Task Force but have not been determined.

Baby Arizona

In the last quarter of the year, 1,597 pregnant women applied for medical coverage under the SOBRA program through the streamlined eligibility process offered by Baby Arizona. Enrollment in AHCCCS through the Baby Arizona Project increased by about 30 percent in calendar year 1999. Baby Arizona enrollments represented about 43 percent of all SOBRA deliveries for contract year 1999.

Baby Arizona enrollment figures, however, do not include all women accessing prenatal care through the project. Women who delivered as SOBRA mothers and currently are covered for



family planning services only do not need an AHCCCS enrollment through Baby Arizona because they already are health plan members. They still may utilize the streamlined application process for Medicaid coverage, but they are not counted in Baby Arizona enrollment figures.

Training of physician-office staff continued during the quarter with a training session in Show Low in October, which was attended by representatives of 7

doctors offices, along with a nurse from the Navajo county Health Department. The meeting was hosted by Family Health Plan of Northeastern Arizona. Refresher training also was offered to offices in Maricopa, Pima and Yuma counties during the quarter.

Baby Arizona participated in two major events in October: the Hispanic Women's Conference in Phoenix and the Tucson Women's Fair. The project also continues to conduct intensive outreach in the South Phoenix area, under a project funded by the federal Healthy Start Program through the Division of Perinatal Systems and Women's Health, Maternal & Child Health Bureau.